

**LODI CITY COUNCIL
SPECIAL CITY COUNCIL MEETING
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JULY 6, 2004**

A. CALL TO ORDER / ROLL CALL

The Special City Council meeting of July 6, 2004, was called to order by Mayor Hansen at 7:00 a.m.

Present: Council Members – Beckman, Howard, Land, and Mayor Hansen

Absent: Council Members – Hitchcock

Also Present: City Manager Flynn, Interim City Attorney Schwabauer, and City Clerk Blackston

B. REGULAR CALENDAR

B-1 "Presentation and appropriate direction regarding CalPERS medical costs and options for consideration"

City Manager Flynn stated that at the conclusion of this meeting he would be asking Council for direction to negotiate with PacifiCare for a new health plan for the City. Mr. Flynn reported that he had discussed this matter with department heads and employee bargaining groups, and later this week he planned to meet with retirees. On June 16, the City was notified by California Public Employees' Retirement System (CalPERS) that its medical insurance rates were increasing 23.7%. Cities in southern California will have their rates reduced by 8%. CalPERS has created four pools, i.e. southern, northern rural, northern urban, and the state. He explained that there are more doctors and hospitals in southern California, which creates competition and lowers the cost of medical care. Southern California cities felt they were not getting fair rates from CalPERS and threatened to leave the group, which precipitated the recent change to regional rates. Mr. Flynn reminded Council that the City's annual expenses are \$1.2 million greater than its revenues. The proposal from PacifiCare would save \$400,000 a year over CalPERS rates. He noted, however, that CalPERS will not release the City's utilization history, so PacifiCare had to establish rates based on generic population, age, gender, and family makeup of the City's pool. PacifiCare will develop a utilization factor over the next year and come up with new rates for future years. Mr. Flynn stated that another option would be for Lodi to pool with other cities and form a joint powers agreement. The deadline to make a decision regarding whether or not to withdraw from CalPERS is August 16. The withdrawal must be done by Council resolution, and CalPERS has stipulated that when cities withdraw they cannot re-enter for a period of five years. Mr. Flynn reviewed a market survey analysis prepared by ABD Insurance (filed).

Terri Ezaki, representing ABD Insurance & Financial Services, explained that she had focused on PacifiCare because it has a contract with Medcore through 2005, which includes Lodi Primary Care Physicians and specialists in the community. She mentioned that Health Net does not have those contracts. It will not be possible to get a Blue Shield quote until the City submits a resolution of withdrawal to CalPERS. She stated that Kaiser rates would be the same as with CalPERS. Ms. Ezaki recalled that when Lodi originally contracted with CalPERS it offered Blue Shield, Health Net, PacifiCare, Kaiser, and two Preferred Provider Organizations. In January 2003, Health Net and PacifiCare were eliminated from the CalPERS insurance options. Delta IPA was the contracting entity for the remaining medical groups, which limited access to physicians by City of Lodi employees.

Mayor Pro Tempore Beckman contended that CalPERS does not seem interested in fair negotiations, bargaining, or treatment. For this reason, he favored the City withdrawing from CalPERS; however, he wanted to consider more options than the PacifiCare proposal.

Ms. Ezaki pointed out that Health Net does not contract with Lodi Memorial Hospital. Blue Shield has a tenuous contract with local medical care providers and Blue Cross does not have a strong Health Maintenance Organization (HMO) in the Lodi community. Ms. Ezaki stated that PacifiCare is the best option for benefits, provider network, and cost.

PUBLIC COMMENTS:

- Doctor Sheldon Yucht reported that Medcore Medical Group has been in existence since 1985. It was originally called OMNI IPA. In 1996 the medical group sold its shares to Sutter, and in December 1999 OMNI Health Plan went out of business. Medcore is owned by 212 physician shareholders and is organized to provide healthcare services to enrollees of HMOs. Medcore is also the provider network for Lodi Memorial Hospital's self-funded plan. Medcore is comprised of over 400 providers throughout San Joaquin County including 130 primary care physicians and over 300 specialists countywide. Medcore has a relationship with Sierra Multi Surgical Associates.

In reply to Council Member Howard, Dr. Yucht explained that Medcore's service area is San Joaquin County and the network would be considered first for specialists. If that was not feasible, then the next level of network affiliation would be considered.

- Heidi Duncan, PacifiCare Senior Business Manager, distributed information regarding its healthcare plan (filed) and reviewed trend caps and guarantees for the second year.

Mayor Pro Tempore Beckman preferred that a resolution of withdrawal from CalPERS be prepared for Council's consideration at its regularly scheduled meeting of July 21. He asked that at least two other provider quotes be presented to Council for consideration, along with PacifiCare.

Mayor Hansen also expressed a desire to withdraw from CalPERS as he felt the City was not being treated fairly, and he predicted that the CalPERS system for northern California would collapse.

Council Member Land was in favor of the PacifiCare proposal as it would save the City \$400,000 annually. He suggested that the matter be brought back to Council for consideration at its regularly scheduled meeting of August 4.

MOTION / VOTE:

There was no Council action taken on this matter.

C. ADJOURNMENT

There being no further business to come before the City Council, the meeting was adjourned at 8:35 a.m.

ATTEST:

Susan J. Blackston
City Clerk